

**COMPANY REGISTRATION NUMBER: 01997971**

**NEWPORT TRANSPORT LIMITED**

**FINANCIAL STATEMENTS**

**31 March 2023**

# **NEWPORT TRANSPORT LIMITED**

## **FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

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# **NEWPORT TRANSPORT LIMITED**

## **STRATEGIC REPORT**

**Year ended 31 March 2023**

### **Strategic report**

The Directors present their strategic report for the year ended 31st March 2023.

### **Principle activities**

Newport Transport continues to be the primary public transport provider in the Newport City area and also supplies the links between the major urban areas in Monmouthshire. Services also extend through the Severnside area to Bristol via the Traws Cymru network. The Directors use many performance indicators, both financial and non-financial to monitor the company's position, performance and progress during the year across all areas of the business.

## Business review

The performance of the company and subsequent financial results continue to be impacted by the aftereffects of the Covid 19 pandemic. Passenger numbers remain suppressed across the industry nationally, such that it is still reliant on the financial support provided by the Welsh Government (WG) through the Bus Emergency Scheme (BES). This scheme has already been extended past its original end date of March 2023 until the end of July 2023, with a transition fund that will continue to provide a lesser and capped level of support until March 2024. WG have published strategy and consultation documents through the year which make no secret of its desire to control the bus industry through a franchising model operated by its delivery arm Transport for Wales (TFW).

The company responded to the problems created by the pandemic by almost pressing a reset button which allowed it to build back services and frequencies slowly, and in line with passenger growth. Travel patterns have changed dramatically with large numbers of the previously travelling public now working entirely from home or spending shorter hours in their work location. As a result, there was little point in recreating the network that existed pre-March 2020.

Changes to the network which improved frequency and reliability have seen passenger numbers increase by 38% on the previous year, which directly correlates with an increase in turnover of £2.6m to total £9.2m. However, this increase still only represents approximately 75% of pre-Covid travelling numbers, with concessionary travel numbers further adrift at 44% of pre-pandemic levels. The end of the Fflecsi pilot also meant the company needed to increase weekend and evening services to compensate for the removal of the service.

The support provided by WG through the BES3 scheme is recognised in other operating income within the financial statements, where an effort has also been made to match operating costs to actual activity, and other expenses to hardship support which has resulted in a fairly consistent gross and operating profit across the two years disclosed.

The funding provided by WG has allowed the company to continue with the electrification programme set out in its 5-year business plan. This has included substantial infrastructure projects which allow up to 80 vehicles to be charged overnight. The last year has seen another 21 electric buses enter service, bringing the total current EV fleet to 44. These acquisitions are reflected in significant movement in the value of Fixed Assets.

Movements in Deferred Tax resulted in a slightly lower profit for the year of £872k, down 10.6% on last year's £976k.

At the period end the company had net assets of £4.6m.

The industry as a whole across the country has struggled to attract and retain driving staff, which has resulted in the widespread use of agency drivers. The company has been doing all it can to address this issue by improving pay rates, increasing pension contributions and life cover benefits to aid staff retention.

It has also introduced an initiative which provides home to work transport for all staff in an attempt to reduce travel costs in the current economic downturn, while also reducing the company's carbon footprint. These journeys are booked and scheduled by an app the company has created with software developer Viavan.

The directors consider the key performance indicators of the company to be:

	2023	2022
Operating Profit	£1,191,387	£926,856
Operating Profit Margin	12.9%	13.9%
Net Profit Margin	12.3%	12.8%
Total passenger numbers	3,601,721	2,591,282
Average PVR	68	69
Passengers per PVR	52,966	37555

## **Principle risks and uncertainties**

The company's operations are exposed to a variety of financial and operational risks and challenges which could have a material impact on the company's performance.

The most immediate threat to the company is clearly the end of government financial support in March 2024. Newport Transport recognises and is thankful for the support it has received over the last three years, but the end of that assistance and with passenger numbers having yet to recover to pre-pandemic levels is clearly a difficult position, that the company will need to work hard to mitigate.

The end of financial support will also coincide with all non-commercial bus services across Wales being tendered by local authorities. This presents a great opportunity but also a threat if other operators perceive this as a chance to win work that gives them a presence in Wales in advance of franchising.

Franchising is still a couple of years away for Wales as the legal framework necessary to underpin it has yet to be approved. At this point there is not enough detail about how the franchised network in Wales will work, but it represents the biggest medium-term threat to the company.

In addition to the risks detailed above there is also the unknown factor of whether passenger numbers will ever recover to pre-pandemic levels. However, the growth experienced this year is encouraging and perhaps justifies the decision to embark on a zero-emission strategy in advance of other operators in Wales.

The efforts made by the company to improve terms and conditions have led to a relatively stable workforce and produced what are considered amongst the best working environments in the South Wales area. However, the shortage of PCV drivers and Engineers, exacerbated since the pandemic, means the company is susceptible to wage competition and an over-reliance on costly agency staff. Undoubtedly this is a situation that will not be sustainable following the withdrawal of financial support and the company is already committing considerable resource to addressing the issue.

With Newport Transport's increasing EV fleet numbers, the reliance on diesel pricing and traditional market volatility will be reduced. However, the electricity market has shown itself to be just as unpredictable recently, so the company has sought to place extended supply contracts wherever possible and is also planning to protect variable priced contracts through hedging agreements.

## **Future developments**

The WG funding provided over the last three years has given the industry stability during very uncertain times. That safety net is now no longer there so it will be extremely important that the company does well in the forthcoming tender round but also continues its expansion into the Forest of Dean and Gloucestershire, traditionally outside its operating area, and strengthens its relationship with contract providers like Zeelo and PB Bus Marketing.

The coaching sector has recovered much quicker than stage carriage from the impacts of Covid, so the company plans to expand its coaching operation during the summer of 2023 to include more vehicles available for hire in the local area but also to partner with Flixbus to provide intercity express services between South Wales, Gatwick and Heathrow, and London. This initiative continues the partnership working which has underpinned the company operation in recent years.

This partnership working will see the company collaborate with Pelican Engineering and Yutong to develop a single door, 9-meter bus for delivery in early 2024, along with the first delivery into the UK of a Yutong double deck EV bus. These purchases will continue the modernisation of the Newport fleet and see more of the older diesel fleet replaced.

## **Conclusion**

The importance of the funding provided by national and local government cannot be underestimated. It has allowed the company to re-set after the pandemic and build service frequency back based upon public demand rather than a desire to exploit available funding. It has also allowed the company to continue with the zero-emission strategy set out in its business plan, which aligns with both WG and shareholder aspirations.

The company remains committed to its core values of providing safe, reliable and affordable public transport that can provide a realistic alternative to the car.

The Board of Directors would again like to place on record their thanks to the staff and management of the Company who continue to deliver exceptional service and contribute to the lasting success of Newport Transport.

## **Going concern**

The Board and executive Directors of Newport Transport continue to revise their business planning to take account of a rapidly changing marketplace and one in which the immediate future is particularly uncertain.

The company undertakes detailed planning which evaluates different scenarios and the likelihood of each option becoming reality. It plans for the worst-case position even though our knowledge of the market anticipates that outcome to be extremely unlikely.

Forecasts are prepared in light of changes to its forecast passenger numbers, changes to its market environment, and recognition of improving business opportunities outside its core operation. The Board has evaluated these forecasts and considered the improved financial position of the company and strengthening Balance Sheet. It has also assessed the company's position in the local market compared to other operators and its likely success in the current tender round, which is critical to the company's continued success. After due consideration the Directors are reasonably confident that it will at least retain the routes, it currently operates given the fleet standards set in the tenders and network capability that the company can provide.

On that basis the Directors of the company consider that Newport Transport remains a going concern and are content that the financial statements are prepared under that principle for the coming twelve months.

This report was approved by the board of directors on 21 December 2023 and signed on behalf of the board by:

**Mr D B Jenkins**

**Director**

# **NEWPORT TRANSPORT LIMITED**

## **DIRECTORS' REPORT**

### **Year ended 31 March 2023**

The directors present their report and the financial statements of the company for the year ended 31 March 2023 .

#### **Directors**

The directors who served the company during the year were as follows:

Mr J J Clarke

Ms D A Harvey

Mr D B Jenkins

Mr T W W Knowles

Mr W Langsford

Mr S Pearson

Mr M J Spencer

Mr M H Stevens

Ms J Cleverly

Mr R J Green

Mr G J Horton

(Appointed 12 August 2022)

Mr L Ahern

(Appointed 8 September 2022)

### **Dividends**

The directors do not recommend the payment of a dividend.

### **Events after the end of the reporting period**

Particulars of events after the reporting date are detailed in note 29 to the financial statements.

### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to: - select suitable accounting policies and then apply them consistently; - make judgments and accounting estimates that are reasonable and prudent; - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and - they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 21 December 2023 and signed on behalf of the board by:

**Mr D B Jenkins**

**Director**



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWPORT TRANSPORT LIMITED**

**Year ended 31 March 2023**

## **Opinion**

We have audited the financial statements of Newport Transport Limited (the 'company') for the year ended 31 March 2023 which comprise the profit and loss account, balance sheet, statement of changes in equity, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or - the financial statements are not in agreement with the accounting records and returns; or - certain disclosures of directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

**Responsibilities of directors** As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also: - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Simon Tee**

**(Senior Statutory Auditor)**

**For and on behalf of**

Kilsby & Williams LLP

Chartered Accountants & statutory auditor

Cedar House

Hazell Drive

Newport

NP10 8FY

22 December 2023

# NEWPORT TRANSPORT LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 2023

	Note	2023 £	2022 £
<b>TURNOVER</b>	<b>5</b>	9,234,982	6,665,392
Cost of sales		( 8,168,076)	( 5,893,353)
		-----	-----
<b>GROSS PROFIT</b>		1,066,906	772,039
Administrative expenses		( 9,365,955)	( 5,520,491)
Other operating income	<b>6</b>	9,490,436	5,296,123
Exceptional items		—	379,185
		-----	-----
<b>OPERATING PROFIT</b>	<b>8</b>	1,191,387	926,856
Other interest receivable and similar income	<b>12</b>	3,457	295
Interest payable and similar expenses	<b>13</b>	( 58,264)	( 76,261)
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		1,136,580	850,890
Tax on profit	<b>14</b>	( 264,549)	125,197
		-----	-----
<b>PROFIT FOR THE FINANCIAL YEAR</b>		872,031	976,087
		-----	-----
Revaluation of tangible assets		98,998	—
		-----	-----
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		971,029	976,087
		-----	-----

All the activities of the company are from continuing operations.

# NEWPORT TRANSPORT LIMITED

## BALANCE SHEET

31 March 2023

	Note	2023 £	2022 £
<b>FIXED ASSETS</b>			
Tangible assets	15	12,954,395	10,464,851
<b>CURRENT ASSETS</b>			
Stocks	16	256,270	272,926
Debtors	17	2,114,026	1,800,775
Cash at bank and in hand		2,731,546	1,536,858
		5,101,842	3,610,559
<b>CREDITORS: amounts falling due within one year</b>	18	( 3,290,318)	( 2,929,581)
<b>NET CURRENT ASSETS</b>		1,811,524	680,978
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,765,919	11,145,829
<b>CREDITORS: amounts falling due after more than one year</b>	19	( 1,256,105)	( 1,614,841)
<b>PROVISIONS</b>	20	( 139,352)	—
<b>ACCRUALS AND DEFERRED INCOME</b>		( 8,713,003)	( 5,844,558)
<b>NET ASSETS</b>		4,657,459	3,686,430
<b>CAPITAL AND RESERVES</b>			
Called up share capital	24	251,002	251,002
Revaluation reserve	25	1,308,787	1,226,735
Profit and loss account	25	3,097,670	2,208,693
<b>SHAREHOLDERS FUNDS</b>		4,657,459	3,686,430

These financial statements were approved by the board of directors and authorised for issue on 21 December 2023 , and are signed on behalf of the board by:

Mr D B Jenkins

Director

Company registration number: 01997971

**NEWPORT TRANSPORT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 March 2023**

	Called up share capital	Revaluation reserve	Profit and loss account	Total
Note	£	£	£	£
<b>AT 1 APRIL 2021</b>	251,002	1,231,875	1,227,466	2,710,343
Profit for the year			976,087	976,087
Other comprehensive income for the year:				
Reclassification from revaluation reserve to profit and loss account	—	( 5,140)	5,140	—
	-----	-----	-----	-----
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	( 5,140)	981,227	976,087
<b>AT 31 MARCH 2022</b>	251,002	1,226,735	2,208,693	3,686,430
Profit for the year			872,031	872,031
Other comprehensive income for the year:				
Revaluation of tangible assets <b>15</b>	—	98,998	—	98,998
Reclassification from revaluation reserve to profit and loss account	—	( 16,946)	16,946	—
	-----	-----	-----	-----
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	—	82,052	888,977	971,029
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<b>AT 31 MARCH 2023</b>	251,002	1,308,787	3,097,670	4,657,459
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# NEWPORT TRANSPORT LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	2023 £	2022 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	872,031	976,087
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,053,555	945,394
Government grant income	( 9,420,762)	( 5,294,938)
Other interest receivable and similar income	( 3,457)	( 295)
Interest payable and similar expenses	58,264	76,261
(Gains)/loss on disposal of tangible assets	( 19,159)	12,579
Tax on profit	264,549	( 125,197)
<i>Changes in:</i>		
Stocks	16,656	( 91,707)
Trade and other debtors	( 896,547)	( 95,281)
Trade and other creditors	3,259,855	832,716
Cash generated from operations	( 4,815,015)	( 2,764,381)
Interest paid	( 58,264)	( 49,685)
Interest received	3,457	295
Net cash used in operating activities	( 4,869,822)	( 2,813,771)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible assets	( 3,506,781)	( 4,498,549)
Proceeds from sale of tangible assets	81,839	69,659
Net cash used in investing activities	( 3,424,942)	( 4,428,890)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	( 261,735)	—
Proceeds from loans from group undertakings	330,425	—
Repayments of loans from group undertakings	—	( 735,089)
Government grant income	9,420,762	5,294,938
Payments of finance lease liabilities	—	( 41,088)
Net cash from financing activities	9,489,452	4,518,761
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,194,688	( 2,723,900)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,536,858	4,260,758
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	2,731,546	1,536,858



# **NEWPORT TRANSPORT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2023**

### **1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in England & Wales. The address of the registered office is 160 Corporation Road, Newport, NP19 0WF.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Going concern**

In the year to 31 March 2023 the company made a profit before tax of £1,136,580 (2022 - £850,890). Unaudited financial results since the year end show the company made a £843k profit before tax. The company has achieved its financial results due to continued government support through concessionary fares, BES3 and BTF funding, which finishes in March 2024. As a result the directors have had to consider whether the going concern basis is appropriate. Forecasts are prepared in light of changes to its forecast passenger numbers, changes to its market environment, and recognition of improving business opportunities outside its core operation. The Board has evaluated these forecasts and considered the improved financial position of the company and strengthening Balance Sheet. It has also assessed the company's position in the local market compared to other operators and its likely success in the current tender round, which is critical to the company's continued success. After due consideration the Directors are reasonably confident that it will at least retain the routes, it currently operates given the fleet standards set in the tenders and network capability that the company can provide. On that basis the Directors of the company consider that Newport Transport remains a going concern and are content that the financial statements are prepared under that principle for the coming twelve months.

#### **Turnover**

Turnover consists of fares received from passengers, local authority support of concessionary travel arrangements, and the value of the other goods and services supplied to customers. Turnover excludes Value Added Taxes and trade discounts. Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

## **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that: The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

## **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

## **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

## **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	5-50 years
Plant and machinery	-	3-10 years
Motor vehicles	-	4-15 years

Assets under construction are not depreciated until they are fully commissioned and in use.

## **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets. For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

## **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

## **Finance leases and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are recognised in the balance sheet as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset. Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

## **Government grants**

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model and the performance model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

## **Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

## **Financial instruments**

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently measured at amortised cost. Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment. Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately. For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics. Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

## **Defined contribution plans**

The Company operates a defined benefit contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

##### Provision for insurance claims

Provision is made for all known incidents for which there is self-insurance using a third party insurer's best estimate of the value of outstanding claims yet to be settled. The estimate is continually revised based on the claims history, the status of known claims and estimations of claims yet to be made. It can vary subject to third party activity in these areas.

Provision is also made, using a third party's best estimate of the value to settle a claim.

Given the diversity of claim types, their size, the range of possible outcomes and the time involved in settling these claims, a material change could be required to the carrying value of claims provisions in the next financial year. These factors also make it impractical to provide sensitivity analysis on one single measure and its potential impact on overall insurance provisions.

The provision for insurance claims at the year-end is £353k (2022: £416k).

##### Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect the current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 14 for the carrying amount of the tangible assets and Note 3 for the useful economic lives for each class of assets.

##### Going concern

The directors have prepared forecasts in excess of 12 months post the date of sign off which have enabled them to conclude the company will meet all of their liabilities as they fall due and that it is appropriate to prepare the accounts on a going concern basis. There are certain judgements used within the forecasts, which are considered achievable and appropriate.

##### Freehold property valuation

The freehold property is held at a current market valuation. The property has been revalued by the company at 31 March 2023 by reference to the valuation reports produced by Savills. This valuation is based on an estimate by Savills by reference to market evidence for comparable property

#### 5. TURNOVER

Turnover arises from:

	2023	2022
	£	£
Rendering of services	9,234,982	6,665,392
	-----	-----

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

## 6. OTHER OPERATING INCOME

	2023	2022
	£	£
Government grant income	9,420,762	5,294,938
Other operating income	69,674	1,185
	-----	-----
	9,490,436	5,296,123
	-----	-----

The other operating income included in the accounts relates to government support arrangements through the Bus Emergency Scheme (BES). This support was to bridge the gap in income and costs due reduced passenger numbers since the Covid pandemic. The costs relating to this support that was previously included in costs of sales during normal operations has been transferred to operating costs in the 2021/22 & 2022/23 accounts.

## 7. EXCEPTIONAL ITEMS

During the prior year the company agreed with Newport City Council and the LGPS Trustees that the previous pension contributions agreed but not paid to the scheme (£379,185), would no longer be due. This resulted in a reduction in the pension creditor of £379,185 and a credit to the profit and loss account for the same amount.

## 8. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2023	2022
	£	£
Depreciation of tangible assets	1,053,555	945,394
(Gains)/loss on disposal of tangible assets	( 19,159)	12,579
Impairment of trade debtors	10,989	(589)
Operating lease rentals	13,427	—
Bus Emergency Support Grant income	(7,577,975)	(3,381,903)
Furlough income	—	(90,481)
Bus Service Support Grant income	(647,239)	(573,277)
Concession income	(2,542,006)	(2,542,006)
	-----	-----

## 9. AUDITOR'S REMUNERATION

	2023	2022
	£	£
Fees payable for the audit of the financial statements	15,443	14,500
	-----	-----
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	1,065	1,000
	-----	-----

## 10. STAFF COSTS

The average number of persons employed by the company during the year, including the directors, amounted to:

	2023	2022
	No.	No.
Administrative staff	25	23
Service	130	127
Maintenance	43	37
	----	----
	198	187
	----	----

The aggregate payroll costs incurred during the year, relating to the above, were:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Wages and salaries	7,893,186	5,187,821
Social security costs	521,310	408,375
Other pension costs	210,215	174,610
	-----	-----
	8,624,711	5,770,806
	-----	-----

## **11. DIRECTORS' REMUNERATION**

The directors' aggregate remuneration in respect of qualifying services was:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Remuneration	499,253	342,575
Company contributions to defined contribution pension plans	27,963	21,974
	-----	-----
	527,216	364,549
	-----	-----

The number of directors who accrued benefits under company pension plans was as follows:

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Defined contribution plans	4	3
	----	----

Remuneration of the highest paid director in respect of qualifying services:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Aggregate remuneration	156,945	133,296
Company contributions to defined contribution pension plans	9,177	8,720
	-----	-----
	166,122	142,016
	-----	-----

## **12. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on cash and cash equivalents	3,457	295
	-----	----

## **13. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on obligations under finance leases and hire purchase contracts	—	635
Other interest payable and similar charges	58,264	75,626
	-----	-----
	58,264	76,261
	-----	-----

## **14. TAX ON PROFIT**

**Major components of tax expense/(income)**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	264,549	( 125,197)
	-----	-----
<b>Tax on profit</b>	264,549	( 125,197)
	-----	-----

## Reconciliation of tax expense/(income)

The tax assessed on the profit on ordinary activities for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 19 % (2022: 19 %).

	2023	2022
	£	£
Profit on ordinary activities before taxation	1,136,580	850,890
Profit on ordinary activities by rate of tax	215,950	161,669
Effect of expenses not deductible for tax purposes	7,565	10,528
Effect of capital allowances and depreciation	12,720	12,875
Change in deferred tax rate	74,601	(30,047)
Brought forward deferred tax asset not recognised	(46,287)	(280,222)
Tax on profit	264,549	( 125,197)

## 15. TANGIBLE ASSETS

	Freehold property	Plant and machinery	Motor vehicles	Assets under construction	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 April 2022	1,850,000	2,102,547	11,529,492	4,086,181	19,568,220
Additions	–	334,252	180,682	2,991,847	3,506,781
Disposals	–	–	( 490,798)	( 1,789)	( 492,587)
Revaluations	( 51,788)	–	–	–	( 51,788)
Transfers	301,788	157,260	3,480,815	(3,939,863)	–
<b>At 31 March 2023</b>	<b>2,100,000</b>	<b>2,594,059</b>	<b>14,700,191</b>	<b>3,136,376</b>	<b>22,530,626</b>
<b>Depreciation</b>					
At 1 April 2022	74,000	1,733,838	7,295,531	–	9,103,369
Charge for the year	76,786	136,014	840,755	–	1,053,555
Disposals	–	–	( 429,907)	–	( 429,907)
Revaluations	( 150,786)	–	–	–	( 150,786)
<b>At 31 March 2023</b>	<b>–</b>	<b>1,869,852</b>	<b>7,706,379</b>	<b>–</b>	<b>9,576,231</b>
<b>Carrying amount</b>					
<b>At 31 March 2023</b>	<b>2,100,000</b>	<b>724,207</b>	<b>6,993,812</b>	<b>3,136,376</b>	<b>12,954,395</b>
At 31 March 2022	1,776,000	368,709	4,233,961	4,086,181	10,464,851

The freehold land and buildings were valued on 16 June 2023 at £2,100,000. The valuation was completed by Savills (UK) Limited and a RICS certified surveyor, by reference to market evidence for comparable property. The directors do not believe that this property valuation has materially changed in the period to 31 March 2023.



## Tangible assets held at valuation

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
<b>At 31 March 2023</b>	
Aggregate cost	1,864,927
Aggregate depreciation	(1,073,713)
<b>Carrying value</b>	<b>791,214</b>
<b>At 31 March 2022</b>	
Aggregate cost	1,563,139
Aggregate depreciation	(1,013,874)
<b>Carrying value</b>	<b>549,265</b>

## 16. STOCKS

	2023 £	2022 £
Stock	256,270	272,926

## 17. DEBTORS

	2023 £	2022 £
Trade debtors	253,024	235,855
Amounts owed by group undertakings	198,652	656,751
Deferred tax asset	—	125,197
Prepayments and accrued income	362,433	451,105
Other debtors	1,299,917	331,867
	<b>2,114,026</b>	<b>1,800,775</b>

The trade debtors balance includes a bad debt provision of £32,928 (2022: £115,517).

## 18. CREDITORS: amounts falling due within one year

	2023 £	2022 £
Trade creditors	1,302,693	1,068,398
Amounts owed to group undertakings	186,805	314,479
Social security and other taxes	149,220	115,171
Other loans	358,736	261,735
Other creditors	1,292,864	1,169,798
	<b>3,290,318</b>	<b>2,929,581</b>

## 19. CREDITORS: amounts falling due after more than one year

	2023 £	2022 £
Other loans	1,256,105	1,614,841

## 20. PROVISIONS

	Deferred tax (note 21) £
At 1 April 2022	—
Additions	139,352
	-----
At 31 March 2023	139,352
	-----

## 21. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	2023 £	2022 £
Included in debtors (note 17)	—	125,197
Included in provisions (note 20)	( 139,352)	-----
	( 139,352)	125,197
	-----	-----

The deferred tax account consists of the tax effect of timing differences in respect of:

	2023 £	2022 £
Accelerated capital allowances	364,792	446,341
Unused tax losses	( 215,421)	( 567,402)
Provisions	( 1,000)	( 1,700)
Other retirement benefits	( 9,019)	( 2,436)
	139,352	(125,197)
	-----	-----

Over the following 12 months the deferred tax asset is expected to reverse in full due to profits utilising the brought forward losses.

## 22. EMPLOYEE BENEFITS

### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 210,215 (2022: £ 174,610 ).

## 23. GOVERNMENT GRANTS

The amounts recognised in the financial statements for government grants are as follows:

	2023 £	2022 £
Recognised in accruals and deferred income:		
Deferred government grants due within one year	620,308	777,588
Deferred government grants due after more than one year	8,092,695	5,066,970
	8,713,003	5,844,558
	-----	-----
Recognised in other operating income:		
Government grants recognised directly in income	9,083,361	5,175,587
Government grants released to profit or loss	337,401	119,351
	9,420,762	5,294,938
	-----	-----

During the year the company received government grants totalling £3.3m to increase the electric vehicle (EV) fleet. The company also received government grant funding from BES 2 & 3 which was utilised on capital expenditure. This grant income has been held on the balance sheet and will be amortised over the life of the assets.

## 24. CALLED UP SHARE CAPITAL

### Issued, called up and fully paid

	2023		2022	
	No.	£	No.	£
Ordinary shares of £ 1 each	251,002	251,002	251,002	251,002
	-----	-----	-----	-----

## 25. RESERVES

*Revaluation reserve - This reserve records the value of asset revaluations and fair value movements on assets recognised in other comprehensive income. Profit and loss account - This reserve records retained earnings and accumulated losses.*

## 26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2022	Cash flows	At 31 Mar 2023
	£	£	£
Cash at bank and in hand	1,536,858	1,194,688	2,731,546
Debt due within one year	(314,479)	127,674	(186,805)
	-----	-----	-----
	1,222,379	1,322,362	2,544,741
	-----	-----	-----

## 27. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2023	2022
	£	£
Tangible assets	—	33,043
	----	-----

## 28. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2023	2022
	£	£
Not later than 1 year	2,048,400	753,797
Later than 1 year and not later than 5 years	6,298,784	2,600,676
Later than 5 years	11,177,656	3,673,221
	-----	-----
	19,524,840	7,027,694
	-----	-----

## 29. EVENTS AFTER THE END OF THE REPORTING PERIOD

On the 24 July 2023 the BES 3 funding agreement came to an end and the company signed the Bus Transition Funding Amendment and Restatement Agreement with Welsh Government to provide further funding to 31 March 2024. The Welsh Government budget for 2024-25 released on 19 December 2023 has allocated funding of £123m for bus support which is comparable to 2023/24. The process for bus support in 2023/24 will be through local government tenders on all non commercial routes in Wales. Post year end the company has ordered a further 11 electric buses at a total order value of £4.73m.

# **NEWPORT TRANSPORT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **Year ended 31 March 2023**

#### **30. RELATED PARTY TRANSACTIONS**

100% of the shares of the Company are owned by Newport City Council which is the ultimate parent undertaking. The Company purchased goods and services from the Council for £16,401 (2022: £112,555) during the year. The year end balance due to the Council was £186,805 (2022: £314,479). The Company made sales to the Council of £3,060,153 (2022: £3,600,505) during the year. At the year end the amount due from the council was £198,652 (2022: £656,751). Key management personnel are the directors.

#### **31. CONTROLLING PARTY**

The ultimate parent company is Newport City Council, which owns 100% of the share capital. Copies of the group accounts can be obtained from Newport City Council, Civic Centre, Newport, NP10 4UR.

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